



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 02/28/05
05-072

Communication No.:

Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Merrill Stanley, Finance Director

SUBJECT—

Public hearing for Supplement #B2 to the City's Master Lease-Purchase Agreement for the purchase of two large equipment items for the Airport.

SYNOPSIS—

Holding the public hearing to consider lease-purchasing a Runway Paint Striper and a Street Sweeper for the Airport. The Airport is currently reconsidering their decision to finance this equipment purchase, and will likely choose instead, to pay cash

FISCAL IMPACT—

The estimated cost for the equipment to be leased is less than \$475,000. The cost for each lease-purchase financing is determined based on an interest rate computed as a fixed percentage of the Treasury Note Index. The lease will be amortized over five years. Funding for the lease payments will be provided by the Airport enterprise fund. Airport revenues will be pledged for the repayment, so the debt will not count against the city's general obligation debt limit.

RECOMMENDATION—

Approval

BACKGROUND—

This is the second lease supplement to be considered under the 2004 Master Lease Agreement (MLA) with Banc of America Leasing and Capital, LLC, 101 South Tryon St., Charlotte, NC (Douglas H. Bowers, President). 16 lease supplements totaling \$8,559,015.22 were approved by the City Council under an earlier lease agreement with Banc of America as a means to provide flexible, affordable financing for city equipment. The first supplement of the 2004 MLA was approved for \$686,097.00.

On February 1, 2005, the Des Moines International Airport Board approved and recommended to City Council (Resolution #A05-20 & #A05-21) the acquisition of a Street Sweeper in the amount of not-to-exceed \$200,000 and a Runway Paint Striper in the amount of not-to-exceed \$275,000 to be financed through the City Master Lease Program. The equipment will be bid through the City's Purchasing Department. The required steps are being taken simultaneously to have financing in place when it is time to award bids for the equipment.

The Airport is currently reconsidering their decision to finance this equipment purchase, and will likely choose instead, to pay cash. Airport staff is conducting a comprehensive review of their borrowing status consisting of various forms of financing, i.e. revenue bonds, commercial paper, lease-purchasing. They also have cash available to reduce debt overall. Early sentiment is leaning toward using the available cash, in part, to avoid incurring new debt on the planned purchase of equipment. Future plans may include the early repayment or refinancing of debt in an effort to reduce costs to Airport users.